



Security

The creditor may ask you to list things that you own to be 'security' for the money you are borrowing under the credit contract. If you get too far behind in your payments, or if you breach your contract, the creditor may take (repossess) those things from you and sell them to repay your debt.

[Find out about the process that the creditor must follow when repossessing goods.](#)

Unsecured loans

An unsecured loan is where the creditor does not require you to list your goods for security. This means a creditor cannot take anything you own without a Court order.

What should I use as security?

If the creditor asks you to provide security, don't list things that are worth more than the loan. Only agree to include things you are prepared to lose.

Example: Brian looks at buying a \$12,000 car on finance. He doesn't have to pay a deposit, but the dealer explains that the finance company needs to include his house as security to approve the loan. Brian realises that this would mean he might lose his home if for some reason he could not pay back the loan.

Brian decides not to do the deal today. He decides to look for a car finance deal that doesn't put his house at risk.

Security in your contract

Secured goods must be listed in the key information in your credit contract. The information must be clear and concise.

[Find out more about what needs to be included in the key information.](#)

When a finance company takes excessive security over goods (for more value than the borrowed amount), the finance company may be acting oppressively.

[Find out if the creditor is acting oppressively and what you can do about it.](#)

Can the creditor ask for security over all of my property?

A contract that claims an interest in "all present property" (meaning everything you own) is not clear enough to meet this requirement. Creditors must identify the particular items that the creditor has a security interest in, the creditor or repossession agent can only take items that are specifically written in the contract.

Some creditors claim the right to repossess anything you own now and in the future, for as long as you owe them money. This is called an "all present and after acquired property clause".

Creditors must not include security clauses in your credit contract which claim an interest in "all present and after acquired property". The law that covers this is section 44 of the Personal Properties and Securities Act 1999.

This is the case even if you are in bankruptcy or a No Asset Procedure.

What can I do if a creditor is threatening to take all my household goods?

If a creditor is threatening to take your property based on a 'all present and after acquired property' clause, you can send them the following letter which explains the law in detail.

[Letter for Creditor available in PDF format \(60 KB\)](#)

When can a creditor take goods I purchased after I entered the credit contract?

The law says 'all present and after acquired property' clauses cannot be used where the security for the loan is consumer goods. The only times a creditor can take goods you have purchased after you entered a credit contract is when:

- you specifically agreed to add those goods as security after you bought them

- you sold the original goods you listed as security and bought other things with the money (or with the money you borrowed from the creditor).

Example: Mike sold a car he listed as security for a loan and bought a motorcycle and a leather jacket. The creditor may repossess the motorcycle and leather jacket to get their money back.